GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2317
ANSWERED ON:23.07.2004
POLICY ON OWNERSHIP OF PRIVATE BANK
Jha Shri Raghunath;Meghwal Shri Kailash;Vijay Krishna Shri

Will the Minister of FINANCE be pleased to state:

(a) whether private banks are increasing their presence across the country;

(b) if so, the details thereof and the number of private banks operating in the country as on date, State-wise;

(c) the impact on public sector banks as a result of increasing private banks in the country;

(d) whether Reserve Bank of India has recently issued a new policy of ownership in private banks;

(e) if so, the salient features of the policy framework; and

(f) the reasons for issuing the new policy ?

Answer

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM)

(a) & (b) : The branches of private sector banks, which are 31 in number, increased marginally from 5624 as on June 30, 2003 to 5693 as on March 31, 2004. State-wise details of banks in private sector is as under:-

State	Number of Banks
Maharashtra	10
Kerala	5
Tamilnadu	5
Uttar Pradesh	1
Karnataka	2
Gujarat	2
Andhra Pradesh	1
Madhya Pradesh	1
Goa	1
Rajasthan	1
Punjab	1
Jammu & Kashmir	1
Total	31

(c) : Entry of new private sector banks has led to greater competition in the banking system. This has galvanized the banks in public sector to be more responsive to needs of the customers and to upgrade their technological services.

(d) & (e) : Yes, Sir. Reserve Bank of India has released on 2nd July, 2004 a draft comprehensive policy framework on the ownership and governance of private sector banks for discussion and feedback. The salient features interalia include the following :

(i) all banks in private sector should have a networth of Rs. 300 crore

(ii) No single entity or group of related entities shall have shareholding or control, directly or indirectly, in any bank in excess of 10 percent of the paid up capital of the private sector bank,

(iii) For new banks promoter sharehodling may be allowed to be higher to start with, but will be required to be brought down to the limit of 10 percent within a period of three years,

(iv) Any private sector bank will be allowed to hold shares in any other private bank only upto 5 percent of the paid up capital of the investee bank,

(v) FDI by single entity or group of related entities not to exceed 10 percent,

(vi) Not more than one member of a family or a close relative or an associate should be on the Board of a bank.

(f) : The objective of the draft policy is to ensure that the ownership and control of banks is well diversified, banks are owned and managed by `fit and proper` persons/entities, banks are well capitalized and that the processes are transparent and fair.